

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-11
AID-05 EB-08 COME-00 TRSE-00 OMB-01 CIAE-00
INR-10 NSAE-00 L-03 /095 W
-----049872 141015Z /21

R 140916Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 0817
INFO USMISSION USUN NEW YORK
AMEMBASSY PARIS
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E.O. 11652: N/A
TAGS: UNDP, EAID, UR
SUBJECT: UNDP GOVERNING COUNCIL B & F COMMITTEE: ADMINI-
STRATOR AND DEPUTY ADMINISTRATOR SPEAK ON AGENDA ITEM 17

SUMMARY: ON JUNE 8 UNDP ADMINISTRATOR MORSE AND HIS
DEPUTY, G. ARTHUR BROWN, INTRODUCED AGENDA ITEM 17 TO THE
FIRST SESSION OF THE BUDGET AND FINANCE COMMITTEE. BOTH
ADDRESSES WERE CAUTIOUSLY OPTIMISTIC AND CONTAINED NO
SURPRISES. MORSE CONCENTRATED HIS REMARKS ON FINANCIAL
RESOURCES, PROGRAM DELIVERY, NON-CONVERTIBLE CURRENCIES,
OPERATIONAL RESERVE AND CUSTODY OF UNDP FUNDS. FOLLOWING
ON THE APRIL 14 MEETING IN NEW YORK HE OBSERVED THAT
BURDEN-SHARING WAS A MATTER FOR GOVERNMENTS TO WORK OUT
AND EMPHASIZED INSTEAD THE DESIRABILITY OF MULTI-YEAR
FUNDING FOR UNDP.

1. ADMINISTRATOR MORSE APPEARED BRIEFLY AT THE FIRST
SESSION OF THE BUDGET AND FINANCE COMMITTEE ON JUNE 8
TO INTRODUCE AGENDA ITEM 17. HIS REMARKS FOCUSED ON
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FINANCIAL RESOURCES, PROGRAM DELIVERY, ACCUMULATED
NON-CONVERTIBLE CURRENCIES, OPERATIONAL RESERVE AND
CUSTODY OF UNDP FUNDS.

2. (A) FINANCIAL RESOURCES: LATEST FIGURES REFLECT AN
AVAILABILITY OF DOLS 590 MILLION: SOMEWHAT ABOVE THE
DOLS 577.7 CONTAINED IN DOCUMENT DP/336. GAIN IS DUE TO

RECENT INCREASES IN CONTRIBUTIONS AND APPRECIATION OF SOME CURRENCIES. MORSE REITERATED THAT, NONETHELESS, AN ADDITIONAL DOLS 2.3 BILLION WILL BE NEEDED TO MEET THE DOLS 3.4 BILLION TOTAL FOR THE SECOND CYCLE, AND THAT THIS INCREASE WILL REQUIRE AN ACCELERATING CURVE OF CONTRIBUTIONS. THIS WILL MEAN QUOTE SOME EXTRAORDINARY EFFORT ON THE PART OF A NUMBER OF COUNTRIES WILL BE REQUIRED UNQUOTE.

(B) BURDEN-SHARING AND MULTI-YEAR COMMITMENTS: MORSE OBSERVED THAT THE UNEVEN DISTRIBUTION AMONG MAJOR DONORS OF VOLUNTARY CONTRIBUTIONS LEADS SOME COUNTRIES (IMPLYING THE SCANDINAVIANS) TO EXPECT OTHERS TO DO BETTER THAN THEY HAVE DONE TO DATE (U.S., GERMANY, JAPAN AMONG OTHERS). MORSE HAS DECIDED, HOWEVER, THAT THE QUESTION OF MULTI-YEAR PLEDGING IS OF HIGHER PRIORITY AND THAT SOLUTION TO THIS PROBLEM WOULD PROVIDE THE BASIS FOR GOVERNMENTS TO IRON OUT THEIR SHARING OF FINANCIAL RESPONSIBILITIES. ULTIMATELY, HOWEVER, WHETHER UNDP OBTAINS THE FUNDS IT NEEDS DEPENDS ON THE DEGREE OF CONFIDENCE GOVERNMENTS HAVE IN UNDP (A VIEW ECHOED PRIVATELY BY CANADIAN AND GERMAN DELEGATIONS, WHO POINTED OUT THAT THE GROWTH PATTERN HAS BEEN FAIRLY CONSISTENT).

3. PROGRAM DELIVERY: MORSE REPORTED THAT THE 1976 CURTAILMENT OF ACTIVITIES LED TO A VERY LOW LEVEL OF LIMITED OFFICIAL USE

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PLANNED EXPENDITURES IN 1977 BECAUSE THE PROCESS OF BUILDING UP THE PROGRAMS REQUIRED CAREFUL REESTABLISHMENT OF PRIORITIES BY GOVERNMENTS. ONLY IN THE SECOND HALF DID THE LEVEL OF PROJECT BUDGETS REGAIN TO SHOW IMPROVEMENT, WHICH IS EXPECTED TO SHOW UP MEASURABLY IN 1978 AND 1979. IN ANY EVENT, HE FELT THAT WHEN PROGRAMMING FOR THREE TO FIVE YEARS, RATHER THAN ANNUALLY, RESULTS SHOULD ALSO BE VIEWED IN SUCH PERIODS RATHER THAN BY CALENDAR YEARS.

4. NON-CONVERTIBLE CURRENCIES: AN UNDERSTANDING HAS BEEN REACHED BETWEEN UNDP AND THE USSR UNDER WHICH FIVE MILLION RUBLES (APPROXIMATELY DOLS 7 MILLION) WILL BE EXCHANGED FOR SEVERAL CURRENCIES OF DEVELOPING COUNTRIES. AGREEMENT IS TENTATIVE PENDING RESOLUTION OF SOME DETAILS. MORSE FORECAST THAT TOTAL UNDP RUBLE HOLDINGS ARE LIKELY TO BE REDUCED WHEN THE ADDITIONAL 1978 UTILIZATION IS TAKEN INTO ACCOUNT.

5. OPERATIONAL RESERVE: TWO REPLENISHMENTS -- DOLS 15 MILLION FOR 1977 AND DOLS 35 MILLION FOR 1978 -- HAVE BEEN MADE.

6. CUSTODY: THE SYG HAS PROPOSED ADDITIONAL DELEGATION OF CUSTODIAL AUTHORITY TO THE ADMINISTRATOR WHICH MORSE IS PREPARED TO ACCEPT SUBJECT TO SOME CLARIFICATIONS. FURTHER DELEGATION (GENERALLY, TO GIVE THE ADMINISTRATOR TOTAL CONTROL OVER THE HANDLING AND INVESTMENT FUNCTIONS) WILL REQUIRE ECOSOC AND UNGA ACTION, IF SO RECOMMENDED BY THE GOVERNING COUNCIL.

7. BROWN'S REMARKS ESSENTIALLY PROVIDED GREATER DETAIL TO THE AREAS TOUCHED ON BY THE ADMINISTRATOR.

(A) UNDP'S 1977 TOTAL INCOME OF DOLS 610 MILLION WAS ABOUT

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-----049910 141015Z /21

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10 PERCENT HIGHER THAN IN 1976, WHEREAS TOTAL EXPENDITURE OF DOLS 447 MILLION WAS OVER 13 PERCENT LOWER. NET LIQUID ASSETS, AFTER PROVIDING DOLS 15 MILLION TO THE OPERATIONAL RESERVE, WERE DOLS 250 MILLION AND MAY GROW TO DOLS 260 BY THE END OF 1978.

(B) INABILITY OF UNDP TO SCHEDULE PROGRAM ACTIVITY ADEQUATELY WAS DUE TO RECIPIENT GOVERNMENTS NOT UNDERSTANDING THAT DESPITE THE CUTBACK IN 1976, ADDITIONAL PROJECTS WERE NEEDED FOR 1977. ONLY DOLS 286 MILLION WAS DELIVERED IN 1977 AGAINST THE IPF TARGET OF DOLS 340 MILLION SET IN JANUARY, 1977 BY THE GOVERNING COUNCIL.

(C) THE LEVEL OF APPROVED PROJECT BUDGETS HAS IMPROVED FOR 1978 AND 1979 AND FIELD PROGRAM DELIVERY IS EXPECTED TO GROW AT A COMPOUND ANNUAL RATE OF 29 PERCENT. THE 1978 PROJECTION FOR FIELD DELIVERY AGAINST IPF'S IS DOLS 370 MILLION AND FOR 1979, DOLS 480 MILLION.

(D) THE ADMINISTRATOR IS REQUESTING A NET APPROPRIATION LIMITED OFFICIAL USE

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FOR THE ADMINISTRATIVE BUDGET OF DOLS 69.97 MILLION FOR 1979, OR ABOUT 6.6 PERCENT HIGHER THAN IN 1978. THIS IS LOWER THAN EXPECTED INFLATION INDUCED COST INCREASES AND GROWTH IN THE PROGRAM.

(E) ISIP (INTEGRATED SYSTEMS IMPROVEMENT PROJECT) IS NOW IN ITS SECOND PHASE -- PREPARATION OF A CONCEPTUAL DESIGN. UNDP WILL REPORT ON THIS FURTHER PROGRESS UNDER AGENDA ITEM 17(C).

8. ON JUNE 9 CANADIAN DELOFF STATED HE FELT THAT MORSE WAS PUSHING THE MULTI-YEAR FUNDING AND BURDEN-SHARING ISSUES PRIMARILY AT SWEDEN'S INSTIGATION, BUT THAT HIS HEART WAS NOT IN IT. MORSE'S SPEECH WAS QUITE GENERAL AND CONTAINED NO SPECIFIC RECOMMENDATIONS ON BURDEN-SHARING NOR DID MORSE MENTION WHETHER UNDP HAD PREPARED A REPORT ON POSSIBLE ALTERNATIVE MEANS OF FUNDING UNDP, E.G., IFAD OR IDA, ALONG THE LINES HE HAD SUGGESTED AT THE APRIL 14 INFORMAL MEETING OF DONORS. SWEDES, HOWEVER, MAY MAKE A SPECIFIC INITIATIVE IN THIS REGARD DURING GOVERNING COUNCIL (SWEDES HAVE ASKED TO CONSULT WITH USDEL 6/13 ON POSSIBLE LANGUAGE, WHICH WE WILL IMMEDIATELY REPORT). CANADIAN STATED HE WOULD BE SURPRISED IF U.S. WERE TO PUSH MULTI-YEAR FUNDING AT THIS SESSION, A POINT WITH WHICH U.S. DELOFF AND GERMAN ALSO PRESENT READILY AGREED. VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA08985
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780248-0269
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780662/aaaacazu.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 41a5bc89-c288-dd11-92da-001cc4696bcc
Office: ACTION IO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2362739
Secure: OPEN
Status: NATIVE
Subject: UNDP GOVERNING COUNCIL B & F COMMITTEE: ADMINI- STRATOR AND DEPUTY ADMINISTRATOR SPEAK ON AGENDA ITEM 17
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TAGS: EAID, PORG, UR, UNDP
To: STATE
Type: TE
vdkgvkey: odbcc://SAS/SAS.dbo.SAS_Docs/41a5bc89-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014